

**House File 715 - Introduced**

HOUSE FILE 715

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 187)

**A BILL FOR**

1 An Act relating to state and local finance and the  
2 administration of the tax and related laws by the department  
3 of revenue, and including effective date, applicability, and  
4 retroactive applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

IOWA EDUCATIONAL SAVINGS PLAN AND FIRST-TIME HOMEBUYERS DUE DATES

Section 1. Section 422.7, subsection 22, paragraph a, Code 2023, is amended to read as follows:

a. Subtract the maximum contribution that may be deducted for Iowa income tax purposes as a participant in the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1. For purposes of this paragraph, a participant who makes a contribution on or before the date prescribed in section 422.21 for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under section 421.17, subsection 30, may elect to be deemed to have made the contribution on the last day of the preceding calendar year. The director, after consultation with the treasurer of state, shall prescribe by rule the manner and method by which a participant may make an election authorized by the preceding sentence.

Sec. 2. Section 541B.3, subsection 1, paragraph a, Code 2023, is amended to read as follows:

a. ~~Beginning January 1, 2018, an~~ An individual may open an interest-bearing savings account with a financial institution and designate the entire account as a first-time homebuyer savings account for the purpose of paying or reimbursing a designated beneficiary's eligible home costs in connection with a qualified home purchase. The first-time homebuyer savings account designation shall be made ~~no later than April 30 of the year following the tax year during which the account is opened,~~ on forms provided by the department and shall be submitted on or before the date prescribed in section 422.21 for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under section 421.17, subsection 30, applicable to the tax year

1 in which the account is opened.

2 Sec. 3. Section 541B.3, subsection 2, paragraph a, Code  
3 2023, is amended to read as follows:

4 a. The account holder shall designate one individual as  
5 beneficiary of the first-time homebuyer savings account. The  
6 designation shall be made on forms provided by the department  
7 ~~and no later than April 30 of the year following the tax year~~  
8 ~~during which the account is opened~~ and shall be submitted on  
9 or before the date prescribed in section 422.21 for making and  
10 filing an individual income tax return, excluding extensions,  
11 or the date for making and filing an individual income tax  
12 return determined by the director pursuant to an order issued  
13 under section 421.17, subsection 30, applicable to the tax  
14 year in which the designation is made. The account holder may  
15 change the designated beneficiary of the first-time homebuyer  
16 savings account at any time.

17 DIVISION II

18 BONUS DEPRECIATION AND INCREASED EXPENSING — APPLICABILITY

19 Sec. 4. 2018 Iowa Acts, chapter 1161, section 134, is  
20 amended to read as follows:

21 SEC. 134. APPLICABILITY.

22 1. This division of this Act applies to tax years beginning  
23 on or after the effective date of this division of this Act.

24 2. The repeal of section 422.7, subsections 39, 39B, 43,  
25 and 53, and section 422.35, subsections 19, 19B, 20, and  
26 24, relating to bonus depreciation under section 168 of the  
27 Internal Revenue Code or increased expensing under section 179  
28 of the Internal Revenue Code, applies to property placed in  
29 service on or after the effective date of this division of this  
30 Act.

31 Sec. 5. EFFECTIVE DATE. This division of this Act, being  
32 deemed of immediate importance, takes effect upon enactment.

33 Sec. 6. RETROACTIVE APPLICABILITY. This division of this  
34 Act applies retroactively to January 1, 2023, for tax years  
35 beginning on or after that date.

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DIVISION III

TAX FILING STATUS MODIFICATIONS

Sec. 7. Section 422.5, Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 12. For tax years beginning on or after January 1, 2023, a taxpayer shall use the same filing status for Iowa income tax purposes as the taxpayer used for federal income tax purposes.

Sec. 8. Section 422.7, subsection 4, Code 2023, is amended to read as follows:

4. Individual taxpayers and married taxpayers who file a ~~joint federal income tax return and who elect to file a joint~~ return or separate returns for Iowa income tax purposes may avail themselves of the disability income exclusion and shall compute the amount of the disability income exclusion subject to the limitations for joint federal income tax return filers provided by section 105(d) of the Internal Revenue Code. The disability income exclusion provided in section 105(d) of the Internal Revenue Code, as amended up to and including December 31, 1982, continues to apply for state income tax purposes for tax years beginning on or after January 1, 1984.

Sec. 9. Section 422.7, subsection 5, paragraph a, Code 2023, is amended to read as follows:

a. For tax years beginning in the 2023 calendar year, subtract the amount of federal income taxes paid during the tax year to the extent payment is for a tax year beginning prior to January 1, 2023, and add any federal income tax refunds received during the tax year to the extent the federal income tax was deducted for a tax year beginning prior to January 1, 2023. ~~Where married persons who have filed a joint federal income tax return file separately for state tax purposes, such total shall be divided between them according to the portion of the total paid by each.~~ Federal income taxes paid for a tax year in which an Iowa return was not required to be filed shall not be subtracted.

1     Sec. 10. Section 422.12B, subsection 2, Code 2023, is  
2 amended to read as follows:

3     2. ~~Married taxpayers electing to file separate returns may~~  
4 ~~avail themselves of the earned income credit by allocating the~~  
5 ~~earned income credit to each spouse in the proportion that each~~  
6 ~~spouse's respective earned income bears to the total combined~~  
7 ~~earned income.~~ Taxpayers affected by the allocation provisions  
8 of [section 422.8](#) shall be permitted a deduction for the credit  
9 only in the amount fairly and equitably allocable to Iowa under  
10 rules prescribed by the director.

11    Sec. 11. Section 422.12C, subsection 4, Code 2023, is  
12 amended to read as follows:

13    4. ~~Married taxpayers who have filed joint federal returns~~  
14 ~~electing to file separate returns must determine the child and~~  
15 ~~dependent care credit under [subsection 1](#) or the early childhood~~  
16 ~~development tax credit under [subsection 2](#) based upon their~~  
17 ~~combined net income and allocate the total credit amount to~~  
18 ~~each spouse in the proportion that each spouse's respective net~~  
19 ~~income bears to the total combined net income.~~ Nonresidents  
20 or part-year residents of Iowa must determine their Iowa child  
21 and dependent care credit in the ratio of their Iowa source  
22 net income to their all source net income. ~~Nonresidents or~~  
23 ~~part-year residents who are married and elect to file separate~~  
24 ~~returns must allocate the Iowa child and dependent care credit~~  
25 ~~between the spouses in the ratio of each spouse's Iowa source~~  
26 ~~net income to the combined Iowa source net income of the~~  
27 ~~taxpayers.~~

28    Sec. 12. RETROACTIVE APPLICABILITY. This division of this  
29 Act applies retroactively to January 1, 2023, for tax years  
30 beginning on or after that date.

31                                   DIVISION IV

32                                   WITHHOLDING

33    Sec. 13. Section 99B.8, Code 2023, is amended to read as  
34 follows:

35    **99B.8 Tax on prizes.**

1 All prizes awarded pursuant to a gambling activity under  
2 this chapter are Iowa earned income and are subject to state  
3 and federal income tax laws. A person conducting a game of  
4 skill, game of chance, bingo, or a raffle shall deduct state  
5 income taxes, pursuant to section 422.16, subsection  $\pm$  2, from  
6 a cash prize awarded to an individual. An amount deducted from  
7 the prize for payment of a state tax shall be remitted to the  
8 department of revenue on behalf of the prize winner.

9 Sec. 14. Section 99D.16, Code 2023, is amended to read as  
10 follows:

11 **99D.16 Withholding tax on winnings.**

12 All winnings provided in [section 99D.11](#) are Iowa earned  
13 income and are subject to state and federal income tax laws.  
14 An amount deducted from winnings for payment of the state tax,  
15 pursuant to section 422.16, subsection  $\pm$  2, shall be remitted  
16 to the department of revenue on behalf of the individual who  
17 won the wager.

18 Sec. 15. Section 99F.18, Code 2023, is amended to read as  
19 follows:

20 **99F.18 Tax on winnings.**

21 All winnings derived from slot machines operated pursuant to  
22 this chapter are Iowa earned income and are subject to state  
23 and federal income tax laws. An amount deducted from winnings  
24 for payment of the state tax, pursuant to section 422.16,  
25 subsection  $\pm$  2, shall be remitted to the department of revenue  
26 on behalf of the winner.

27 Sec. 16. Section 99G.31, subsection 3, paragraph i, Code  
28 2023, is amended to read as follows:

29 *i.* The proceeds of any lottery prize shall be subject to  
30 state and federal income tax laws. An amount deducted from the  
31 prize for payment of a state tax, pursuant to section 422.16,  
32 subsection  $\pm$  2, shall be transferred by the authority to the  
33 department of revenue on behalf of the prize winner.

34 Sec. 17. Section 422.16, Code 2023, is amended by striking  
35 the section and inserting in lieu thereof the following:

1     **422.16 Withholding of income tax at source — penalties —**  
2 **interest — declaration of estimated tax — bond.**

3     1. As used in this section, unless the context otherwise  
4 requires, "*withholding agent*" means any individual, fiduciary,  
5 estate, trust, corporation, partnership or association in  
6 whatever capacity acting and including all officers and  
7 employees of the state of Iowa, or any municipal corporation  
8 of the state of Iowa and of any school district or school  
9 board of the state, or of any political subdivision of the  
10 state of Iowa, or any tax-supported unit of government that is  
11 obligated to pay or has control of paying or does pay to any  
12 resident or nonresident of the state of Iowa or the resident's  
13 or nonresident's agent any wages that are subject to the Iowa  
14 income tax in the hands of such resident or nonresident, or  
15 any of the above-designated entities making payment or having  
16 control of making such payment of any taxable Iowa income  
17 to any nonresident. The term "*withholding agent*" shall also  
18 include an officer or employee of a corporation or association,  
19 or a member or employee of a partnership, who as such officer,  
20 employee, or member has the responsibility to perform an act  
21 under this section and who subsequently knowingly violates the  
22 provisions of this section. The term "*withholding agent*" shall  
23 also include every employer as defined in this subchapter and  
24 further defined in the Internal Revenue Code.

25     2. a. (1) Every withholding agent paying wages to an  
26 Iowa resident, or nonresident working in Iowa, shall deduct  
27 and withhold from the wages an amount which will approximate  
28 the annual tax liability of the person on a calendar year  
29 basis, calculated on the basis of tables to be prepared by the  
30 department and schedules or percentage rates, based on the  
31 wages, to be prescribed by the department.

32     (2) Every employee or other person shall declare to the  
33 withholding agent the amount of the employee's or other  
34 person's withholding allowance to be used in applying the  
35 tables and schedules or percentage rates. However, the amount

1 of withholding allowance declared shall not exceed the amount  
2 to which the employee or other person is entitled except  
3 as allowed under sections 3402(m)(1) and 3402(m)(3) of the  
4 Internal Revenue Code and as allowed by rules prescribed by the  
5 director. The claiming of an amount of withholding allowance  
6 in excess of entitlement is a serious misdemeanor.

7     *b.* (1) In the case of a nonresident having income subject  
8 to taxation by Iowa, but not subject to withholding of such  
9 tax under this subsection or subject to the provisions of  
10 section 422.16B, a withholding agent shall withhold from such  
11 income at the same rate as provided in this subsection. A  
12 withholding agent and nonresident shall be subject to the  
13 provisions of this section, according to the context, except  
14 that a withholding agent may be absolved of the requirement to  
15 withhold taxes from the income of a nonresident upon receipt of  
16 a certificate from the department issued in accordance with the  
17 provisions of section 422.17.

18     (2) In the case of a nonresident having income from a trade  
19 or business carried on by the nonresident in whole or in part  
20 within the state of Iowa, the nonresident shall be considered  
21 to be subject to the provisions of this paragraph unless  
22 such trade or business is of such nature that the business  
23 entity itself, as a withholding agent, is required to and does  
24 withhold Iowa income tax from the distributions made to such  
25 nonresident from such trade or business.

26     *c.* For the purposes of [this subsection](#), at a rate specified  
27 by the department, state income tax shall be withheld from  
28 pensions, annuities, other similar periodic payments, and other  
29 income payments under sections 3402(o), 3402(p), 3402(s),  
30 3405(a), 3405(b), and 3405(c) of the Internal Revenue Code made  
31 to Iowa residents if the payments are subject to Iowa tax.

32     *d.* For the purposes of this subsection, state income tax  
33 shall be withheld on winnings in excess of six hundred dollars  
34 derived from gambling activities authorized under chapter  
35 99B or 99G. State income tax shall be withheld on winnings

1 in excess of one thousand dollars from gambling activities  
2 authorized under chapter 99D. State income tax shall be  
3 withheld on winnings in excess of one thousand two hundred  
4 dollars derived from slot machines authorized under chapter  
5 99F.

6 *e.* For the purposes of this subsection, state income tax  
7 shall be withheld at the highest rate described in section  
8 422.5A from supplemental wages of an employee in those  
9 circumstances in which the employer treats the supplemental  
10 wages as wholly separate from regular wages for purposes  
11 of withholding and federal income tax is withheld from the  
12 supplemental wages under section 3402(g) of the Internal  
13 Revenue Code.

14 3. *a.* A withholding agent is not required to withhold  
15 state income tax from payments subject to taxation made  
16 to a nonresident for commodity credit certificates, grain,  
17 livestock, domestic fowl, or other agricultural commodities  
18 or products sold to a withholding agent by a nonresident or  
19 the nonresident's representative, if the withholding agent  
20 provides on forms prescribed by the department information  
21 relating to the sales required by the department to determine  
22 the state income tax liabilities of a nonresident. However,  
23 a withholding agent may elect to make estimated tax payments  
24 on behalf of a nonresident on the basis of the net income of  
25 the nonresident from the agricultural commodities or products,  
26 if the estimated tax payments are made on or before the last  
27 day of the first month after the end of the tax years of the  
28 nonresident.

29 *b.* Nonresidents engaged in any facet of feature film,  
30 television, or educational production using the film or  
31 videotape disciplines in the state are not subject to Iowa  
32 withholding if the employer has applied to the department for  
33 exemption from the withholding requirement and the department  
34 has determined that any nonresident receiving wages would be  
35 entitled to a credit against Iowa income taxes paid.

1     *c.* Individuals described in section 29C.24 are not subject  
2 to withholding, as provided in that section.

3     4. *a.* A withholding agent required to deduct and withhold  
4 tax under subsection 2 shall file a return on or before the  
5 last day of the month following the quarterly period on forms  
6 prescribed by the director and remit to the department the  
7 amount of tax due at the following frequencies:

8       (1) A withholding agent shall remit income tax withheld on  
9 a quarterly basis if the withholding agent withholds less than  
10 six thousand dollars annually and no more than five hundred  
11 dollars in any one month. Payment shall be due on the same day  
12 as the quarterly return.

13       (2) A withholding agent shall remit income tax withheld on  
14 a monthly basis if the withholding agent withholds more than  
15 five hundred dollars in any one month and not more than five  
16 thousand dollars in a semimonthly period. Payment shall be  
17 made on or before the fifteenth day of the month following  
18 the month of withholding, except that a deposit for the third  
19 month in a calendar quarter shall be due on the same day as the  
20 quarterly return.

21       (3) A withholding agent shall remit income tax withheld on  
22 a semimonthly basis if the withholding agent withholds more  
23 than five thousand dollars in a semimonthly period. The first  
24 semimonthly deposit for the period from the first of the month  
25 through the fifteenth of the month is due on the twenty-fifth  
26 day of the month in which the withholding occurs. The second  
27 monthly deposit for the period from the sixteenth of the month  
28 through the end of the month is due on the tenth day of the  
29 month following the month in which the withholding occurs.

30       (4) A withholding agent may elect to remit on an annual  
31 basis if the withholding agent employs not more than two  
32 employees and expects to employ the employees for the full  
33 calendar year. The electing withholding agent shall remit the  
34 full amount of income taxes required to be withheld from the  
35 wages of the employees for the full calendar year with the

1 quarterly return for the first calendar quarter. The amount  
2 to be paid shall be computed as if the employees were employed  
3 for the full calendar year for the same wages and with the  
4 same pay periods as prevailed during the first quarter of the  
5 year with respect to such employees. The electing withholding  
6 agent shall only remit the lump sum payment with the written  
7 consent of all employees involved. The withholding agent shall  
8 be entitled to recover from the employee any part of the lump  
9 sum payment that represents an advance to the employee. If  
10 a withholding agent pays a lump sum with the first quarterly  
11 return, the withholding agent shall be excused from filing  
12 further quarterly returns for the calendar year involved unless  
13 the withholding agent hires other or additional employees.

14 *b.* Every withholding agent on or before February 15  
15 following the close of the calendar year in which the  
16 withholding occurs shall send to the department copies of  
17 income statements required by subsection 8. At the discretion  
18 of the director, the withholding agent shall not be required to  
19 send income statements if the information is available from the  
20 internal revenue service or other state or federal agencies.

21 *c.* If the director has reason to believe that the collection  
22 of the tax provided for in subsection 2 is in jeopardy, the  
23 director may require the withholding agent to file a return  
24 as required in paragraph "a", and pay the tax at any time, in  
25 accordance with section 422.30. The director may authorize  
26 incorporated banks, trust companies, or other depositories  
27 authorized by law which are depositories or financial agents of  
28 the United States or of this state, to receive any tax imposed  
29 under this chapter, in the manner, at the times, and under the  
30 conditions the director prescribes. The director shall also  
31 prescribe the manner, times, and conditions under which the  
32 receipt of the tax by those depositories is to be treated as  
33 payment of the tax to the department.

34 *d.* The director, in cooperation with the department of  
35 management, may periodically change the filing and remittance

1 thresholds by administrative rule if in the best interest of  
2 the state and the taxpayer.

3 5. Every withholding agent who fails to withhold or pay to  
4 the department any sums required by this chapter to be withheld  
5 and paid, shall be personally, individually, and corporately  
6 liable to the state of Iowa, and any sum withheld in accordance  
7 with the provisions of subsection 2, shall be deemed to be  
8 held in trust for the state of Iowa. Notwithstanding section  
9 489.304, this subsection applies to a member or manager of a  
10 limited liability company.

11 6. In the event a withholding agent fails to withhold and  
12 pay over to the department any amount required to be withheld  
13 under subsection 2, such amount may be assessed against  
14 such withholding agent in the same manner as prescribed for  
15 the assessment of income tax under the provisions of this  
16 subchapter and subchapter VI.

17 7. Whenever the director determines that any withholding  
18 agent has failed to withhold or pay over to the department sums  
19 required to be withheld under subsection 2, the unpaid amount  
20 shall be a lien as described in section 422.26, shall attach  
21 to the property of that withholding agent, and in all other  
22 respects the procedure with respect to such lien shall apply  
23 as set forth in section 422.26.

24 8. a. Every withholding agent required to deduct and  
25 withhold tax under subsection 2 shall furnish to each employee,  
26 nonresident, or other person with respect to the income  
27 paid by the employer or withholding agent to each employee,  
28 nonresident, or other person during the calendar year, on or  
29 before January 31 of the succeeding year, or, in the case of  
30 an employee, if the employment of the employee is terminated  
31 before the close of the calendar year, within thirty days from  
32 the day on which the last payment of wages or other taxable  
33 income is made, if requested by the employee, but not later  
34 than January 31 of the following year, an income statement  
35 showing all of the following:

1 (1) The name and address of the employer or withholding  
2 agent, and the taxpayer identification number of the employer  
3 or withholding agent.

4 (2) The name of the employee, nonresident, or other person  
5 and the taxpayer identification number of that employee,  
6 nonresident, or other person, together with the last known  
7 address of the employee, nonresident, or other person to whom  
8 wages or other taxable income has been paid during the period.

9 (3) The gross amount of wages or other taxable income paid  
10 to the employee, nonresident, or other person.

11 (4) The total amount deducted and withheld as tax under the  
12 provisions of subsection 2.

13 (5) The total amount of federal income tax withheld.

14 *b.* An income statement required to be furnished by this  
15 subsection with respect to any wages or other taxable Iowa  
16 income or any additional information required to be displayed  
17 on the income statement shall be in such form or forms as the  
18 director may prescribe by rule.

19 9. A withholding agent shall be liable for the payment of  
20 the tax required to be deducted and withheld or the amount  
21 actually deducted, whichever is greater, under subsection  
22 2. Any amount deducted and withheld as tax under subsection  
23 2 during any calendar year upon the wages of any employee,  
24 nonresident, or other person shall be allowed as a credit to  
25 the employee, nonresident, or other person against the tax  
26 imposed by section 422.5 for the tax year in which it was  
27 withheld, irrespective of whether or not such tax has been, or  
28 will be, paid by the withholding agent to the department as  
29 provided by this chapter.

30 10. *a.* If the amount of income tax withheld by the  
31 withholding agent on behalf of an employee, nonresident, or  
32 other person after complying with this section is more than the  
33 income tax liability of said employee, nonresident, or other  
34 person as determined under the provisions of this subchapter,  
35 the overpayment of tax may first be credited against any income

1 tax or installment payment then due the state of Iowa by  
2 the employee, nonresident, or other person for the tax year,  
3 and any balance of one dollar or more shall be refunded to  
4 the employee, nonresident, or other person with interest in  
5 accordance with section 421.60, subsection 2, paragraph "e".

6     *b.* Amounts less than one dollar shall be refunded to the  
7 taxpayer, nonresident, or other person only upon written  
8 application, in accordance with section 422.73, and only if the  
9 application is filed within twelve months after the due date  
10 of the return.

11     *c.* Refunds in the amount of one dollar or more provided  
12 for by this subsection shall be paid by the treasurer of  
13 state by warrants drawn by the director of the department of  
14 administrative services, or an authorized employee of the  
15 department of administrative services, and the taxpayer's  
16 return of income shall constitute a claim for refund for this  
17 purpose, except in respect to amounts of less than one dollar.  
18 There is appropriated, out of any funds in the state treasury  
19 not otherwise appropriated, a sum sufficient to carry out the  
20 provisions of this subsection.

21     11. *a.* In addition to any other penalty provided by law,  
22 a withholding agent required to furnish or file an income  
23 statement required by this chapter is subject to a civil  
24 penalty of five hundred dollars for each occurrence of the  
25 following:

26         (1) Willful failure to furnish an employee, nonresident, or  
27 other person with an income statement.

28         (2) Willfully furnishing an employee, nonresident, or other  
29 person with a false or fraudulent income statement.

30         (3) Willful failure to file an income statement with the  
31 department.

32         (4) Willfully filing a false or fraudulent income statement  
33 with the department.

34     *b.* A withholding agent is subject to the penalty as provided  
35 in section 421.27. Any penalty assessed under section 421.27

1 shall be in addition to the tax or additional tax due under  
2 this section. The taxpayer shall also pay interest on the tax  
3 or additional tax at the rate in effect under section 421.7,  
4 for each month counting each fraction of a month as an entire  
5 month, computed from the date the semimonthly, monthly, or  
6 quarterly deposit form was required to be filed. The penalty  
7 and interest become a part of the tax due from the withholding  
8 agent.

9     *c.* If any withholding agent, being a domestic or foreign  
10 corporation, required under the provisions of this section  
11 to withhold on wages or other taxable Iowa income subject to  
12 this chapter, fails to withhold the amounts required to be  
13 withheld, make the required returns or remit to the department  
14 the amounts withheld, the director may, having exhausted  
15 all other means of enforcement of the provisions of this  
16 chapter, certify such fact or facts to the secretary of state,  
17 who shall thereupon cancel the articles of incorporation or  
18 foreign registration statement, as the case may be, of such  
19 corporation, and the rights of such corporation to carry on  
20 business in the state of Iowa shall cease. The secretary of  
21 state shall immediately notify by registered mail such domestic  
22 or foreign corporation of the action taken by the secretary of  
23 state. The provisions of section 422.40, subsection 3, shall  
24 be applicable.

25     *d.* The department shall, upon request of any fiduciary,  
26 furnish said fiduciary with a certificate of acquittance  
27 showing that no liability as a withholding agent exists with  
28 respect to the estate or trust for which said fiduciary acts,  
29 provided the department has determined that there is no such  
30 liability.

31     12. *a.* (1) Taxpayers filing a return shall make estimated  
32 tax payments if their Iowa income tax liability can reasonably  
33 be expected to amount to two hundred dollars or more for the  
34 year.

35     (2) In the cases of farmers and fishermen, the exceptions

1 provided in the Internal Revenue Code with respect to making  
2 estimated payments apply.

3     *b.* (1) The estimated tax shall be paid in quarterly  
4 installments. The first installment shall be paid on or before  
5 the last day of the fourth month of the taxpayer's tax year for  
6 which the estimated payments apply. The other installments  
7 shall be paid on or before the last day of the sixth month of  
8 the tax year, the last day of the ninth month of the tax year,  
9 and the last day of the first month after the tax year. A  
10 taxpayer may elect to pay an installment prior to the due date.

11     (2) If a taxpayer filing a return has reason to believe that  
12 the taxpayer's Iowa income tax may increase or decrease, either  
13 for purposes of meeting the requirement to make estimated  
14 tax payments or for the purpose of increasing or decreasing  
15 estimated tax payments, the taxpayer shall increase or decrease  
16 any subsequent estimated tax payments accordingly.

17     (3) Any tax still payable after applying credits for taxes  
18 paid through withholding, estimated tax, and composite return  
19 tax, is due and payable on or before the end of the fourth month  
20 following the close of the tax year.

21     *c.* If a taxpayer is unable to make the taxpayer's estimated  
22 tax payments, the payments may be made by a duly authorized  
23 agent, or by the guardian or other person charged with the care  
24 of the person or property of the taxpayer.

25     *d.* (1) Estimated tax paid is a credit against the amount  
26 of tax found payable on a final, completed return, as provided  
27 in subsection 10, relating to the credit for the tax withheld  
28 against the tax found payable on a return properly and  
29 correctly prepared under sections 422.5 through 422.25.

30     (2) Any overpayment of one dollar or more shall be refunded  
31 to the taxpayer and the return constitutes a claim for refund  
32 for this purpose. Amounts less than one dollar shall not be  
33 refunded.

34     (3) The method provided by section 6654 of the Internal  
35 Revenue Code for determining what is applicable to the addition

1 to tax for underpayment of the tax payable applies to persons  
2 required to make payments of estimated tax under this section  
3 except the amount to be added to the tax for underpayment of  
4 estimated tax is an amount determined at the rate in effect  
5 under section 421.7. This addition to tax specified for  
6 underpayment of the tax payable is not subject to waiver  
7 provisions relating to reasonable cause, except as provided in  
8 the Internal Revenue Code. Underpayment of estimated tax shall  
9 be determined in the same manner as provided under the Internal  
10 Revenue Code and the exceptions in the Internal Revenue Code  
11 also apply.

12 e. In lieu of claiming a refund, the taxpayer may elect to  
13 have the overpayment shown on the taxpayer's final, completed  
14 return for the taxable year credited to the taxpayer's tax  
15 liability for the following taxable year.

16 13. The director shall enter into an agreement with the  
17 secretary of the treasury of the United States with respect to  
18 withholding of income tax as provided by this chapter, pursuant  
19 to an Act of Congress, section 1207 of the Tax Reform Act of  
20 1976, Pub. L. No. 94-455, amending 5 U.S.C. §5517.

21 14. a. The director may, when necessary and advisable  
22 in order to secure the collection of the tax required to  
23 be deducted and withheld or the amount actually deducted,  
24 whichever is greater, require a withholding agent to file with  
25 the director a bond, issued by a surety company authorized to  
26 conduct business in this state and approved by the insurance  
27 commissioner as to solvency and responsibility, in an amount  
28 as the director may fix, to secure the payment of the tax and  
29 penalty due or which may become due. In lieu of the bond,  
30 securities shall be kept in the custody of the department and  
31 may be sold by the director at public or private sale, without  
32 notice to the depositor, if it becomes necessary to do so in  
33 order to recover any tax and penalty due. Upon a sale, any  
34 surplus above the amounts due under this section shall be  
35 returned to the withholding agent who deposited the securities.

1     *b.* If the withholding agent fails to file the bond as  
2 requested by the director to secure collection of the tax, the  
3 withholding agent is subject to penalty for failure to file the  
4 bond. The penalty is equal to fifteen percent of the tax the  
5 withholding agent is required to withhold on an annual basis.  
6 However, the penalty shall not exceed five thousand dollars.

7     15. The director may allow additional time for filing  
8 documents required under this section with the department in  
9 the case of illness, disability, absence, or if good cause is  
10 shown.

11     Sec. 18. Section 422.16B, subsection 7, Code 2023, is  
12 amended to read as follows:

13     7. All powers of the director and requirements of the  
14 director apply to returns filed under *this section* including  
15 but not limited to the provisions of *this subchapter* and  
16 subchapter VI. The provisions of section 422.16, subsection ~~2~~  
17 4, paragraph "*c*", and subsections ~~6, 10~~ 7, 11, and 14, applying  
18 to withholding agents, shall apply in the same manner to  
19 pass-through entities under *this section*.

20     Sec. 19. Section 422.17, Code 2023, is amended to read as  
21 follows:

22     **422.17 Certificate issued by department to make payments**  
23 **without withholding.**

24     Any nonresident whose Iowa income is not subject to section  
25 422.16, subsection ~~±~~ 2, paragraph "*a*", "*c*", "*d*", or "*e*", in  
26 whole or in part, and who elects to be governed by section  
27 422.16, subsection ~~±2~~ 2, paragraph "*b*", to the extent that the  
28 nonresident pays the entire amount of tax properly estimated on  
29 or before the last day of the fourth month of the nonresident's  
30 tax year, for the year, may for the year of the election  
31 and payment, be granted a certificate from the department  
32 authorizing each withholding agent, the income from whom the  
33 nonresident has considered in the payment of estimated tax and  
34 to the extent the income is included in the estimate, to make  
35 payments of income to the nonresident without withholding tax

1 from those payments. Withholding agents, if payments exceed  
2 the tax liability estimated by the nonresident as indicated  
3 upon the certificate, shall withhold tax in accordance with  
4 section 422.16, subsection ~~12~~ 2, paragraph "b".

5 DIVISION V

6 FUTURE CORRESPONDING CHANGE

7 Sec. 20. Section 422.16, subsection 2, paragraph e, Code  
8 2023, as amended in this Act, is amended to read as follows:

9 e. For the purposes of this subsection, state income tax  
10 shall be withheld at the ~~highest~~ rate described in section  
11 ~~422.5A~~ 422.5 from supplemental wages of an employee in those  
12 circumstances in which the employer treats the supplemental  
13 wages as wholly separate from regular wages for purposes  
14 of withholding and federal income tax is withheld from the  
15 supplemental wages under section 3402(g) of the Internal  
16 Revenue Code.

17 Sec. 21. EFFECTIVE DATE. This division of this Act takes  
18 effect January 1, 2026.

19 DIVISION VI

20 SETTLEMENT AUTHORITY — NOTICE OF ASSESSMENT — ESTIMATION OF  
21 TAX

22 Sec. 22. Section 421.5, Code 2023, is amended by striking  
23 the section and inserting in lieu thereof the following:

24 **421.5 Settling claims for taxes, penalties, and interest —**  
25 **abatement.**

26 1. As used in this section:

27 a. "Department" means the department of revenue.

28 b. "Settle" or "settlement" includes any compromise or  
29 abatement of any taxes, penalties, or interest.

30 2. In addition to the authority granted to the department  
31 pursuant to section 17A.10 and notwithstanding section 7D.9,  
32 the department may, in its sole discretion, settle any taxes,  
33 penalties, or interest.

34 3. The department may enter into a settlement in the  
35 case of doubtful liability, doubtful collectability, severe

1 economic hardship, or to promote effective tax administration,  
2 regardless of whether the amount was the subject of a timely  
3 filed appeal or return.

4 4. Whenever a settlement is made, the department shall  
5 make a complete record of the case showing the tax assessed or  
6 claimed due, tax refund claimed, recommendations, reports, and  
7 audits of departmental personnel if any, the taxpayer's grounds  
8 for dispute or contest together with all of the evidence, and  
9 the amounts, conditions, and settlement of the same.

10 5. A taxpayer shall not have the right to a settlement of  
11 any tax, penalty, or interest liability under this section.  
12 Any determination by the department regarding the settlement  
13 shall be discretionary and shall be final and conclusive except  
14 in the case of fraud, mutual mistake of material fact, or as  
15 otherwise stated in a written settlement agreement between the  
16 taxpayer and the department.

17 6. The department may require an application for relief  
18 under this section.

19 7. The department shall adopt rules to administer this  
20 section.

21 Sec. 23. Section 421.10, Code 2023, is amended to read as  
22 follows:

23 **421.10 Appeal period — applicability.**

24 The appeal period for revision of assessment of tax,  
25 interest, and penalties set out under [section 422.28](#), [423.37](#),  
26 [437A.9](#), [437A.22](#), [437B.5](#), [437B.18](#), [452A.64](#), [453A.29](#), or [453A.46](#)  
27 applies to appeals to notices from the department denying  
28 changes in filing methods, denying refund claims, and denying  
29 portions of refund claims for the tax covered by that section,  
30 and notices of any adverse department action directed to a  
31 specific taxpayer, other than licensing, which involves a  
32 calculation.

33 Sec. 24. Section 421.60, subsection 2, paragraphs i and m,  
34 Code 2023, are amended by striking the paragraphs.

35 Sec. 25. Section 421B.11, subsection 3, Code 2023, is

1 amended to read as follows:

2 3. Judicial review of the actions of the director may be  
3 sought in accordance with section 422.29 and chapter 17A and  
4 ~~section 423.38~~.

5 Sec. 26. Section 422.25, subsection 1, paragraph c, Code  
6 2023, is amended to read as follows:

7 c. (1) The period for examination and determination of the  
8 correct amount of tax is unlimited in the case of a false or  
9 fraudulent return made with the intent to evade tax or in the  
10 case of a failure to file a return.

11 (2) If a person required to file a return with the  
12 department fails to file the return with the department, the  
13 department may, at any time, estimate the tax due based upon  
14 information or knowledge the department is able to obtain.

15 (3) If the department estimates an amount of tax under  
16 subparagraph (2), the following shall apply:

17 (a) The department shall issue a notice of assessment  
18 to the person for which the tax is estimated in accordance  
19 with section 421.60. The notice of assessment shall not be  
20 appealable pursuant to section 422.28 or 422.29, except to  
21 appeal the determination that the person is required to file a  
22 return.

23 (b) The department shall include a statement with the  
24 notice that if the person files a return within three years  
25 from the date on the notice of assessment, the department  
26 may replace the assessment with the amount shown due on the  
27 person's return, plus any applicable penalty and interest,  
28 and the department may examine that return and determine the  
29 tax, penalty, and interest within the period provided in this  
30 section.

31 (c) If the person fails to file a return within three years  
32 from the date on the notice of assessment, the person may pay  
33 the tax, penalty, and interest and file a refund claim within  
34 the time period provided in section 422.73, or may request  
35 relief under section 421.5.

1     Sec. 27. Section 422.75, Code 2023, is amended to read as  
2 follows:

3     **422.75 Statistics — publication.**

4     The department shall prepare and publish an annual report  
5 which shall include statistics reasonably available, with  
6 respect to the operation of **this chapter**, including amounts  
7 collected, classification of taxpayers, and such other facts  
8 as are deemed pertinent and valuable. The annual report shall  
9 also include the reports and information required pursuant to  
10 section 421.60, subsection 2, ~~paragraphs "i" and paragraph "l"~~.

11     Sec. 28. Section 423.33, subsection 1, paragraphs a and b,  
12 Code 2023, are amended to read as follows:

13     a. If a purchaser fails to pay sales tax to the retailer  
14 required to collect the tax, then in addition to all of the  
15 rights, obligations, and remedies provided, a use tax is  
16 payable by the purchaser directly to the department, and  
17 sections 423.31, **423.37**, ~~423.38~~, **423.39**, **423.40**, **423.41**, and  
18 423.42 apply to the purchaser.

19     b. For failure to pay the sales or use tax as described  
20 in paragraph "a", the retailer and purchaser are jointly  
21 liable, unless the circumstances described in section 29C.24,  
22 subsection 3, paragraph "a", subparagraph (2), ~~section 421.60,~~  
23 ~~subsection 2, paragraph "m"~~, **section 423.34A**, or section  
24 423.45, subsection 4, paragraph "b" or "e", or **subsection 5**,  
25 paragraph "c" or "e", are applicable.

26     Sec. 29. Section 423.33, subsection 3, Code 2023, is amended  
27 to read as follows:

28     3. *Event sponsor's liability for sales or use tax.* A person  
29 sponsoring a flea market or a craft, antique, coin, or stamp  
30 show or similar event shall obtain from every retailer selling  
31 tangible personal property, specified digital products, or  
32 taxable services at the event proof that the retailer possesses  
33 a valid sales or use tax permit or secure from the retailer  
34 a statement, taken in good faith, that tangible personal  
35 property, specified digital products, or services offered for

1 sale are not subject to sales tax. Failure to do so renders  
2 a sponsor of the event liable for payment of any sales tax,  
3 interest, and penalty due and owing from any retailer selling  
4 property or services at the event. Sections 423.31, 423.37,  
5 ~~423.38~~, 423.39, 423.40, 423.41, and 423.42 apply to the  
6 sponsors. For purposes of this subsection, a "person sponsoring  
7 a flea market or a craft, antique, coin, or stamp show or similar  
8 event" does not include a marketplace facilitator as defined in  
9 section 423.14A, subsection 1, an organization which sponsors  
10 an event determined to qualify as an event involving casual  
11 sales pursuant to section 423.3, subsection 39, or the state  
12 fair or a fair as defined in section 174.1.

13 Sec. 30. Section 423.37, subsection 1, Code 2023, is amended  
14 to read as follows:

15 1. a. As soon as practicable after a return is filed and  
16 ~~in any event~~ within three years after the return is filed,  
17 the department ~~shall~~ may examine ~~it~~ the return, assess and  
18 determine the tax due if the return is found to be incorrect,  
19 and give notice to the person liable for the tax of the  
20 assessment and determination as provided in ~~subsection 2~~  
21 paragraph "b". If a return, when filed, is incorrect or  
22 insufficient, the department shall determine the amount of  
23 tax due from information or knowledge the department is able  
24 to obtain. The determination may be made using any generally  
25 recognized valid and reliable sampling technique, whether or  
26 not the person being audited has complete records, and if  
27 mutually agreed upon by the department and the person being  
28 audited. The period for the examination and determination of  
29 the correct amount of tax is unlimited in the case of a false or  
30 fraudulent return made with the intent to evade tax ~~or in the~~  
31 ~~case of a failure to file a return.~~

32 b. The department shall issue a notice of assessment in  
33 accordance with section 421.60. The notice shall be appealable  
34 pursuant to sections 422.28 and 422.29. If the person fails to  
35 appeal the notice of assessment, the person may pay the tax,

1 penalty, and interest and file a refund claim within the time  
2 period provided in section 422.73, or may request relief under  
3 section 421.5.

4 Sec. 31. Section 423.37, subsection 2, Code 2023, is amended  
5 by striking the subsection and inserting in lieu thereof the  
6 following:

7 2. *a.* If a return required by this subchapter is not filed,  
8 the period for examination and determination of the correct  
9 amount of tax is unlimited. The department may, at any time,  
10 estimate the tax due from the information or knowledge the  
11 department is able to obtain.

12 *b.* If the department estimates an amount of tax under this  
13 subsection, the following shall apply:

14 (1) The department shall issue a notice of assessment  
15 to the person for which the tax is estimated in accordance  
16 with section 421.60. The notice of assessment shall not be  
17 appealable pursuant to sections 422.28 and 422.29, except to  
18 appeal the determination that the person is required to file  
19 the return.

20 (2) The department shall include a statement with the  
21 notice that if the person files a return within three years  
22 from the date on the notice of assessment, the department  
23 may replace the assessment with the amount shown due on the  
24 person's return, plus any applicable penalty and interest,  
25 and the department may examine that return and determine the  
26 tax, penalty, and interest within the period provided in this  
27 section.

28 (3) If the person fails to file a return within three years  
29 from the date on the notice of assessment, the person may pay  
30 the tax, penalty, and interest and file a refund claim within  
31 the time period provided in section 422.73, or may request  
32 relief under section 421.5.

33 Sec. 32. Section 423.45, subsection 4, paragraph b, Code  
34 2023, is amended to read as follows:

35 *b.* The sales tax liability for all sales of tangible

1 personal property and specified digital products and all sales  
2 of services is upon the seller and the purchaser unless the  
3 seller takes from the purchaser a valid exemption certificate  
4 stating under penalty of perjury that the purchase is for a  
5 nontaxable purpose and is not a retail sale as defined in  
6 section 423.1, or the seller is not obligated to collect tax  
7 due, or unless the seller takes a fuel exemption certificate  
8 pursuant to subsection 5. If the tangible personal property,  
9 specified digital products, or services are purchased tax free  
10 pursuant to a valid exemption certificate and the tangible  
11 personal property, specified digital products, or services are  
12 used or disposed of by the purchaser in a nonexempt manner, the  
13 purchaser is solely liable for the taxes and shall remit the  
14 taxes directly to the department and sections 423.31, 423.37,  
15 ~~423.38~~, 423.39, 423.40, 423.41, and 423.42 shall apply to the  
16 purchaser.

17 Sec. 33. Section 423.45, subsection 5, paragraphs c and d,  
18 Code 2023, are amended to read as follows:

19 *c.* The seller may accept a completed fuel exemption  
20 certificate, as prepared by the purchaser, for three  
21 years unless the purchaser files a new completed exemption  
22 certificate. If the fuel is purchased tax free pursuant to a  
23 fuel exemption certificate which is taken by the seller, and  
24 the fuel is used or disposed of by the purchaser in a nonexempt  
25 manner, the purchaser is solely liable for the taxes, and shall  
26 remit the taxes directly to the department and sections 423.31,  
27 423.37, ~~423.38~~, 423.39, 423.40, 423.41, and 423.42 shall apply  
28 to the purchaser.

29 *d.* The purchaser may apply to the department for its  
30 review of the fuel exemption certificate. In this event, the  
31 department shall review the fuel exemption certificate within  
32 twelve months from the date of application and determine the  
33 correct amount of the exemption. If the amount determined  
34 by the department is different than the amount that the  
35 purchaser claims is exempt, the department shall promptly

1 notify the purchaser of the determination. Failure of the  
 2 department to make a determination within twelve months from  
 3 the date of application shall constitute a determination that  
 4 the fuel exemption certificate is correct as submitted. A  
 5 determination of exemption by the department is final unless  
 6 the purchaser appeals to the director for a revision of the  
 7 determination within sixty days after the date of the notice  
 8 of determination. The director shall grant a hearing, and  
 9 upon the hearing, the director shall determine the correct  
 10 exemption and notify the purchaser of the decision by mail.  
 11 The decision of the director is final unless the purchaser  
 12 seeks judicial review of the director's decision under section  
 13 ~~423.38~~ 422.29 within sixty days after the date of the notice  
 14 of the director's decision. Unless there is a substantial  
 15 change, the department shall not impose penalties pursuant  
 16 to [section 423.40](#) both retroactively to purchases made after  
 17 the date of application and prospectively until the department  
 18 gives notice to the purchaser that a tax or additional tax is  
 19 due, for failure to remit any tax due which is in excess of a  
 20 determination made under [this section](#). A determination made by  
 21 the department pursuant to [this subsection](#) does not constitute  
 22 an audit for purposes of [section 423.37](#).

23 Sec. 34. Section 423.57, Code 2023, is amended to read as  
 24 follows:

25 **423.57 Statutes applicable.**

26 The director shall administer [this subchapter](#) as it relates  
 27 to the taxes imposed in [this chapter](#) in the same manner and  
 28 subject to all the provisions of, and all of the powers,  
 29 duties, authority, and restrictions contained in sections  
 30 423.14, [423.14A](#), [423.14B](#), [423.15](#), [423.16](#), [423.17](#), [423.19](#),  
 31 [423.20](#), [423.21](#), [423.22](#), [423.23](#), [423.24](#), [423.25](#), [423.29](#), [423.31](#),  
 32 [423.33](#), [423.34](#), [423.34A](#), [423.35](#), [423.37](#), ~~[423.38](#)~~, [423.39](#),  
 33 [423.40](#), [423.41](#), and [423.42](#), [section 423.43](#), [subsection 1](#), and  
 34 sections [423.45](#), [423.46](#), and [423.47](#).

35 Sec. 35. NEW SECTION. **452A.23 Motor fuel tax —**

1 **administration by department.**

2 The department shall administer the taxes imposed by this  
3 chapter in the same manner as and subject to section 422.25,  
4 subsection 4, section 423.35, and section 423.37.

5 Sec. 36. Section 452A.66, Code 2023, is amended to read as  
6 follows:

7 **452A.66 Statutes applicable to motor fuel tax.**

8 ~~1. The appropriate state agency shall administer the taxes~~  
9 ~~imposed by [this chapter](#) in the same manner as and subject to~~  
10 ~~[section 422.25, subsection 4, and section 423.35.](#)~~

11 ~~2.~~ All the provisions of [section 422.26](#) shall apply in  
12 respect to the taxes, penalties, interest, and costs imposed  
13 by [this chapter](#) excepting that as applied to any tax imposed  
14 by [this chapter](#), the lien provided in [section 422.26](#) shall  
15 be prior and paramount over all subsequent liens upon any  
16 personal property within this state, or right to such personal  
17 property, belonging to the taxpayer without the necessity of  
18 recording as provided in [section 422.26](#). The requirements for  
19 recording shall, as applied to the tax imposed by [this chapter](#),  
20 apply only to the liens upon real property. When requested to  
21 do so by any person from whom a taxpayer is seeking credit,  
22 or with whom the taxpayer is negotiating the sale of any  
23 personal property, or by any other person having a legitimate  
24 interest in such information, the director shall, upon being  
25 satisfied that such a situation exists, inform such person as  
26 to the amount of unpaid taxes due by such taxpayer under the  
27 provisions of [this chapter](#). The giving of such information  
28 under such circumstances shall not be deemed a violation of  
29 section 452A.63 as applied to [this chapter](#).

30 Sec. 37. Section 453A.28, subsection 1, Code 2023, is  
31 amended to read as follows:

32 1. a. If after any audit, examination of records, or  
33 other investigation the department finds that any person has  
34 sold cigarettes without stamps affixed or that any person  
35 responsible for paying the tax has not done so as required by

1 this subchapter, the department shall fix and determine the  
 2 amount of tax due, and shall assess the tax against the person,  
 3 together with a penalty as provided in [section 421.27](#). The  
 4 taxpayer shall pay interest on the tax or additional tax at the  
 5 rate determined under [section 421.7](#) counting each fraction of  
 6 a month as an entire month, computed from the date the tax was  
 7 due. If any person fails to furnish evidence satisfactory to  
 8 the director showing purchases of sufficient stamps to stamp  
 9 unstamped cigarettes purchased by the person, the presumption  
 10 shall be that the cigarettes were sold without the proper  
 11 stamps affixed. Within three years after the report is filed  
 12 or within three years after the report became due, whichever is  
 13 later, the department shall examine the report and determine  
 14 the correct amount of tax. The period for examination and  
 15 determination of the correct amount of tax is unlimited in the  
 16 case of a false or fraudulent report made with the intent to  
 17 evade tax, or in the case of a failure to file a report, or if a  
 18 person purchases or is in possession of unstamped cigarettes.

19 b. If the department issues an estimated assessment due to  
 20 failure to file a report, the procedures described in section  
 21 423.37, subsections 1 and 2, shall apply to taxes, fees, and  
 22 interest imposed under this subchapter in the same manner and  
 23 with the same effect as the provisions apply to the taxes  
 24 imposed under chapter 423.

25 Sec. 38. Section 453A.46, subsection 1, paragraph a, Code  
 26 2023, is amended to read as follows:

27 a. (1) On or before the twentieth day of each calendar  
 28 month every distributor with a place of business in this state  
 29 shall file a return with the director showing for the preceding  
 30 calendar month the quantity and wholesale sales price of each  
 31 tobacco product brought, or caused to be brought, into this  
 32 state for sale; made, manufactured, or fabricated in this state  
 33 for sale in this state; and any other information the director  
 34 may require. Every licensed distributor outside this state  
 35 shall in like manner file a return with the director showing

1 for the preceding calendar month the quantity and wholesale  
2 sales price of each tobacco product shipped or transported to  
3 retailers in this state to be sold by those retailers and any  
4 other information the director may require. Returns shall  
5 be made upon forms furnished or made available in electronic  
6 form and prescribed by the director and shall contain other  
7 information as the director may require. Each return shall be  
8 accompanied by a remittance for the full tax liability shown  
9 on the return, less a discount as fixed by the director not to  
10 exceed five percent of the tax. Within three years after the  
11 return is filed or within three years after the return became  
12 due, whichever is later, the department shall examine it,  
13 determine the correct amount of tax, and assess the tax against  
14 the taxpayer for any deficiency. The period for examination  
15 and determination of the correct amount of tax is unlimited in  
16 the case of a false or fraudulent return made with the intent  
17 to evade tax, or in the case of a failure to file a return.

18 (2) If the department issues an estimated assessment due to  
19 failure to file a return, the procedures described in section  
20 423.37, subsections 1 and 2, shall apply to taxes, fees, and  
21 interest imposed under this subchapter in the same manner and  
22 with the same effect as the provisions apply to the taxes  
23 imposed under chapter 423.

24 Sec. 39. REPEAL. Section 423.38, Code 2023, is repealed.

25 Sec. 40. EFFECTIVE DATE. This division of this Act takes  
26 effect January 1, 2024.

27 DIVISION VII

28 TAX RETURN PREPARERS AND PERSONS AUTHORIZED TO ACT FOR  
29 TAXPAYERS

30 Sec. 41. Section 421.59, subsections 1 and 2, Code 2023, are  
31 amended to read as follows:

32 1. a. A taxpayer may authorize an individual to act on  
33 behalf of the taxpayer by filing a power of attorney with  
34 the department, on a form prescribed by the department. The  
35 department may prescribe a separate form or integrate the

1 requirements of the form into a return when feasible.

2 *b.* A taxpayer may at any time revoke a power of attorney  
3 filed with the department pursuant to [this subsection](#). Upon  
4 processing of the taxpayer's revocation of a power of attorney,  
5 the department shall cease honoring the power of attorney.

6 2. Unless otherwise prohibited by law, the department may  
7 authorize the following persons to act and receive information  
8 on behalf of and exercise all of the rights of a taxpayer, and  
9 may establish by rule the documentation required to verify  
10 authorization to act, regardless of whether a power of attorney  
11 has been filed pursuant to [subsection 1](#):

12 *a.* A guardian, conservator, or custodian appointed by a  
13 court, if a taxpayer has been deemed legally incompetent by a  
14 court. The authority of the appointee to act on behalf of the  
15 taxpayer shall be limited to the extent specifically stated in  
16 the order of appointment.

17 ~~{1} Upon request, a guardian, conservator, or custodian of~~  
18 ~~a taxpayer shall submit to the department a copy of the court~~  
19 ~~order appointing the guardian, conservator, or custodian.~~

20 ~~{2} The department has standing to petition the court that~~  
21 ~~appointed the guardian, conservator, or custodian to verify the~~  
22 ~~appointment or to determine the scope of the appointment.~~

23 *b.* A receiver appointed pursuant to [chapter 680](#). An  
24 appointed receiver shall be limited to act on behalf of the  
25 taxpayer by the authority stated in the order of appointment.

26 ~~{1} Upon the request of the department, a receiver shall~~  
27 ~~submit to the department a copy of the court order appointing~~  
28 ~~the receiver.~~

29 ~~{2} The department has standing to petition the court~~  
30 ~~that appointed the receiver to verify the appointment or to~~  
31 ~~determine the scope of the appointment.~~

32 ~~*c.* An individual who has been named as an authorized~~  
33 ~~representative on a fiduciary return of income filed under~~  
34 ~~[section 422.14](#) or a tax return filed under [chapter 450](#).~~

35 ~~*d.* c. An individual holding the following title or position~~

1 within a corporation, association, partnership, or other  
2 business entity:

3 (1) An officer or employee of the corporation or association  
4 who is authorized to act on behalf of the corporation or  
5 association in tax matters.

6 (2) A designated partner or employee of the partnership  
7 who is authorized to act on behalf of the partnership in tax  
8 matters.

9 (3) A person authorized to act on behalf of the limited  
10 liability company in tax matters pursuant to a valid statement  
11 of authority or employee of the company who is authorized to  
12 act on behalf of the company in tax matters.

13 ~~e.~~ d. A licensed attorney who has appeared on behalf of  
14 the taxpayer or the probate estate in a court proceeding.  
15 Authorization under this paragraph is limited to those matters  
16 within the scope of the representation.

17 ~~f.~~ e. A parent or guardian of a taxpayer who has not  
18 reached the age of majority ~~where the same parent or guardian~~  
19 ~~has signed the taxpayer's return on behalf of the taxpayer.~~  
20 ~~Authorization under this paragraph is limited to those matters~~  
21 ~~relating to the return signed by the parent or guardian.~~  
22 Authorization under this paragraph automatically terminates  
23 when the taxpayer reaches the age of majority pursuant to  
24 section 599.1.

25 ~~g.~~ f. A representative of a government entity. An  
26 individual seeking to act on behalf of a government entity  
27 pursuant to this paragraph shall affirm the authority of  
28 the individual to act on behalf of the government entity in  
29 a manner designated by the department. The department may  
30 require evidence to demonstrate the individual has authority to  
31 act on behalf of the government entity.

32 ~~h.~~ g. An executor or personal representative of an estate.  
33 (1) ~~Upon request, the executor or personal representative~~  
34 ~~shall submit to the department a copy of the will or court~~  
35 ~~order appointing the executor or personal representative.~~



1     Sec. 44. CONTINGENT EFFECTIVE DATE. This division of this  
2 Act takes effect on the effective date of the rules adopted by  
3 the department of revenue pursuant to chapter 17A implementing  
4 2020 Iowa Acts, chapter 1064, other than transitional rules.

5                                   DIVISION IX

6                                   HOMESTEAD PROPERTY TAX CREDIT

7     Sec. 45. Section 425.11, subsection 1, paragraph e, Code  
8 2023, is amended by striking the paragraph and inserting in  
9 lieu thereof the following:

10     e. (1) "Owner" means the person who holds the fee simple  
11 title to the homestead. "Owner" also includes the following:

12         (a) The person occupying as a surviving spouse.

13         (b) The person occupying under a contract of purchase which  
14 contract has been recorded in the office of the county recorder  
15 of the county in which the property is located.

16         (c) The person occupying the homestead under devise or by  
17 operation of the inheritance laws where the whole interest  
18 passes or where the divided interest is shared only by persons  
19 related or formerly related to each other by blood, marriage,  
20 or adoption.

21         (d) The person occupying the homestead is a shareholder of a  
22 family farm corporation that owns the property.

23         (e) The person occupying the homestead under a deed which  
24 conveys a divided interest where the divided interest is shared  
25 only by persons related or formerly related to each other by  
26 blood, marriage, or adoption.

27         (f) Where the person occupying the homestead holds a  
28 life estate with the reversion interest held by a nonprofit  
29 corporation organized under chapter 504, provided that the  
30 holder of the life estate is liable for and pays property tax  
31 on the homestead.

32         (g) Where the person occupying the homestead holds an  
33 interest in a horizontal property regime under chapter  
34 499B, regardless of whether the underlying land committed to  
35 the horizontal property regime is in fee or as a leasehold

1 interest, provided that the holder of the interest in the  
2 horizontal property regime is liable for and pays property tax  
3 on the homestead.

4 (h) Where the person occupying the homestead is a member  
5 of a community land trust as defined in 42 U.S.C. §12773,  
6 regardless of whether the underlying land is in fee or as a  
7 leasehold interest, provided that the member of the community  
8 land trust is occupying the homestead and is liable for and  
9 pays property tax on the homestead.

10 (i) The person occupying the homestead regardless of  
11 whether the underlying land is in fee or as a leasehold  
12 interest, provided that the person is occupying the homestead  
13 and is liable for and pays property tax on the homestead.

14 (2) For the purpose of this subchapter, the word "owner"  
15 shall be construed to mean a bona fide owner and not one for  
16 the purpose only of availing the person of the benefits of this  
17 subchapter. In order to qualify for the homestead tax credit,  
18 evidence of ownership shall be on file in the office of the  
19 clerk of the district court or recorded in the office of the  
20 county recorder at the time the owner files with the assessor  
21 a verified statement of the homestead claimed by the owner as  
22 provided in section 425.2.

23 Sec. 46. EFFECTIVE DATE. This division of this Act, being  
24 deemed of immediate importance, takes effect upon enactment.

25 Sec. 47. APPLICABILITY. This division of this Act applies  
26 to claims under chapter 425, subchapter I, for credits against  
27 property taxes due and payable in fiscal years beginning on or  
28 after July 1, 2024.

29 DIVISION X

30 PROPERTY TAX CREDITS AND RENT REIMBURSEMENT

31 Sec. 48. Section 425.17, subsection 7, Code 2023, is amended  
32 to read as follows:

33 7. "Income" means the sum of Iowa net income as defined  
34 in [section 422.7](#), plus all of the following to the extent not  
35 already included in Iowa net income: capital gains<sub>T</sub>; alimony<sub>T</sub>;

1 child support money~~;~~i; cash public assistance and relief,  
 2 except property tax relief granted under this subchapter~~;~~i;  
 3 amount of in-kind assistance for housing expenses,~~the gross~~  
 4 ~~amount of any pension or annuity, including but not limited~~  
 5 ~~to~~; total amounts received from a governmental or other  
 6 pension or retirement plan, including defined benefit or  
 7 defined contribution plans; annuities; individual retirement  
 8 accounts; plans maintained or contributed to by an employer,  
 9 or maintained or contributed to by a self-employed person  
 10 as an employer; deferred compensation plans or any earnings  
 11 attributable to the deferred compensation plans; income  
 12 received pursuant to a farm tenancy agreement covering real  
 13 property; railroad retirement benefits~~;~~i; payments received  
 14 under the federal Social Security Act, except child insurance  
 15 benefits received by a member of the claimant's household;~~and~~  
 16 ~~all~~ military retirement and veterans' disability pensions~~;~~i;  
 17 interest received from ~~the~~ a state or federal government  
 18 or any of its instrumentalities~~;~~i; workers' compensation;  
 19 and the gross amount of disability income or "loss of time"  
 20 insurance. "Income" does not include gifts from nongovernmental  
 21 sources, or surplus foods or other relief in kind supplied by  
 22 a governmental agency. In determining income, net operating  
 23 losses and net capital losses shall not be considered.

24 Sec. 49. EFFECTIVE DATE. This division of this Act, being  
 25 deemed of immediate importance, takes effect upon enactment.

26 Sec. 50. APPLICABILITY.

27 1. This division of this Act applies to claims under chapter  
 28 425, subchapter II, for credits against property taxes due and  
 29 payable in fiscal years beginning on or after July 1, 2024.

30 2. This division of this Act applies to claims under chapter  
 31 425, subchapter II, for reimbursement for rent constituting  
 32 property taxes paid in base years beginning on or after January  
 33 1, 2023.

34 3. This division of this Act applies to claims under section  
 35 435.22 for a credit for manufactured and mobile home taxes due

1 and payable in fiscal years beginning on or after July 1, 2024.

2 DIVISION XI

3 ELECTRONIC COMMUNICATIONS — RULES

4 Sec. 51. Section 421.60, subsection 11, paragraph c,  
5 subparagraph (1), Code 2023, is amended to read as follows:

6 (1) Notwithstanding any provision of law to the contrary,  
7 when an electronic communication is posted to the department's  
8 electronic portal for a person who has made such an election,  
9 the posting of the electronic communication shall satisfy any  
10 requirement of mailing or personal service in [this title](#),  
11 [chapter 17A](#), [chapter 272D](#), or [sections 321.105A](#) and [533.329](#).

12 DIVISION XII

13 TRANSFERS FROM 529 ACCOUNT TO ROTH IRA

14 Sec. 52. Section 422.7, subsection 22, paragraph c,  
15 subparagraph (1), Code 2023, is amended by adding the following  
16 new subparagraph division:

17 NEW SUBPARAGRAPH DIVISION. (g) A direct trustee-to-trustee  
18 transfer to a Roth individual retirement account in accordance  
19 with section 529(c)(3)(E) of the Internal Revenue Code, as  
20 enacted by the federal Consolidated Appropriations Act, 2023,  
21 Pub. L. No. 117-328.

22 Sec. 53. APPLICABILITY. This division of this Act applies  
23 to tax years beginning on or after January 1, 2024.

24 DIVISION XIII

25 COMPOSITE RETURN FILING EXCLUSION FOR FINANCIAL INSTITUTIONS  
26 AND CERTAIN FINANCIAL HOLDING COMPANIES

27 Sec. 54. Section 422.16B, subsection 5, Code 2023, is  
28 amended by adding the following new paragraph:

29 NEW PARAGRAPH. *0c.* The pass-through entity meets any of the  
30 following requirements for the tax year:

31 (1) The pass-through entity is a financial institution  
32 subject to the franchise tax under section 422.60 and files a  
33 franchise tax return required under section 422.62 and pays any  
34 franchise tax shown due on the return.

35 (2) The pass-through entity wholly owns one or more

1 financial institutions subject to the franchise tax under  
2 section 422.60 that are treated as disregarded entities for  
3 federal and Iowa income tax purposes, and at least ninety  
4 percent of the gross income of the pass-through entity for the  
5 tax year is also reportable income on the franchise tax return  
6 of the financial institutions wholly owned by the pass-through  
7 entity, and such financial institutions file the franchise tax  
8 returns required under section 422.62 and pay any franchise tax  
9 shown due on the franchise tax return.

10 Sec. 55. EFFECTIVE DATE. This division of this Act, being  
11 deemed of immediate importance, takes effect upon enactment.

12 Sec. 56. RETROACTIVE APPLICABILITY. This division of this  
13 Act applies retroactively to January 1, 2023, for tax years  
14 beginning on or after that date.

15 DIVISION XIV

16 RETIRED FARMER INCOME EXCLUSIONS

17 Sec. 57. Section 422.7, subsection 13, paragraph a,  
18 subparagraph (4), Code 2023, is amended to read as follows:

19 (4) "*Materially participated*" means the same as "*material*  
20 *participation*" in section 469(h) of the Internal Revenue Code,  
21 except that section 469(h)(3) of the Internal Revenue Code  
22 shall not apply.

23 Sec. 58. Section 422.7, subsection 14, paragraph f,  
24 subparagraph (5), Code 2023, is amended to read as follows:

25 (5) "*Materially participated*" means the same as "*material*  
26 *participation*" in section 469(h) of the Internal Revenue Code,  
27 except that section 469(h)(3) of the Internal Revenue Code  
28 shall not apply.

29 Sec. 59. EFFECTIVE DATE. This division of this Act, being  
30 deemed of immediate importance, takes effect upon enactment.

31 Sec. 60. RETROACTIVE APPLICABILITY. This division of this  
32 Act applies retroactively to January 1, 2023, for tax years  
33 beginning on or after that date.

34 DIVISION XV

35 INSTRUCTIONAL SUPPORT INCOME SURTAX

1     Sec. 61. Section 257.24, Code 2023, is amended to read as  
2 follows:

3     **257.24 Deposit of instructional support income surtax.**

4     ~~1.~~ The director of revenue, by the last day of each month,  
5 shall deposit all moneys ~~received as~~ collected and determined  
6 by the department of revenue to be instructional support income  
7 surtax to the in the preceding month, and shall credit of each  
8 district from which the moneys are ~~received~~ collected, in the  
9 school district income surtax fund which is established in  
10 section 298.14.

11     ~~2. a.~~ ~~The director of revenue shall deposit instructional~~  
12 ~~support income surtax moneys received on or before November 1~~  
13 ~~of the year following the close of the school budget year for~~  
14 ~~which the surtax is imposed to the credit of each district from~~  
15 ~~which the moneys are received in the school district income~~  
16 ~~surtax fund.~~

17     ~~b.~~ ~~Instructional support income surtax moneys received or~~  
18 ~~refunded after November 1 of the year following the close of~~  
19 ~~the school budget year for which the surtax is imposed shall be~~  
20 ~~deposited in or withdrawn from the general fund of the state~~  
21 ~~and shall be considered part of the cost of administering the~~  
22 ~~instructional support income surtax.~~

23     Sec. 62. Section 257.25, Code 2023, is amended to read as  
24 follows:

25     **257.25 Instructional support income surtax certification.**

26     1. On or before ~~October 20~~ November 15 each year,  
27 the director of revenue shall make an accounting of the  
28 instructional support income surtax collected under this  
29 chapter ~~applicable to tax returns for the last preceding~~  
30 ~~calendar year, or for a taxpayer's fiscal year ending during~~  
31 ~~the second half of that calendar year and after the date the~~  
32 ~~board adopts a resolution to participate in the program, or the~~  
33 ~~first half of the succeeding calendar year, since January 1 of~~  
34 the same calendar year from taxpayers in each school district  
35 in the state which has approved the instructional support

1 program, and shall certify to the department of management and  
2 the department of education the amount of total instructional  
3 support income surtax credited from the taxpayers of each  
4 school district.

5 2. On or before January 15 of each year, the director of  
6 revenue shall make an accounting of the instructional support  
7 income surtax collected under this chapter during the preceding  
8 calendar year from taxpayers in each school district in the  
9 state which has approved the instructional support program,  
10 and shall certify to the department of management and the  
11 department of education the amount of total instructional  
12 support income surtax credited from the taxpayers of each  
13 school district.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with  
16 the explanation's substance by the members of the general assembly.

17 This bill relates to state and local finance and the  
18 administration of the tax and related laws by the department  
19 of revenue (department).

20 DIVISION I — IOWA EDUCATIONAL SAVINGS PLAN AND FIRST-TIME  
21 HOMEBUYERS DUE DATES. The bill makes changes to the Iowa  
22 educational plan trust (529 plans) and the first-time home  
23 buyer savings account program.

24 The bill provides that if the director of revenue (director)  
25 extends the date for making and filing an individual income  
26 tax return in the case of a natural disaster as is currently  
27 permitted in Code section 421.17(30), the taxpayer may elect  
28 that a contribution made to a 529 plan during the extended time  
29 to file such a return may be deemed to have been made for the  
30 prior calendar year.

31 The bill provides that the first-time homebuyers savings  
32 account designations must be provided to the department on  
33 or before the date to file an individual income tax return,  
34 excluding extensions, or on or before the extended filing date  
35 if the director extends the date for making and filing an

1 individual income tax return in the case of a natural disaster.

2 DIVISION II — BONUS DEPRECIATION AND INCREASED EXPENSING  
3 — APPLICABILITY. The “trigger” (2018 Iowa Acts, chapter  
4 1161, sections 99 through 134) went into effect on January 1,  
5 2023. The bill provides that the repeal of bonus depreciation  
6 and increased expensing provisions in the trigger applies to  
7 tax years beginning on or after January 1, 2023, for property  
8 placed in service on or after January 1, 2023.

9 DIVISION III — TAX FILING STATUS MODIFICATIONS. For tax  
10 years beginning on or after January 1, 2023, the bill requires  
11 a taxpayer to use the same filing status for Iowa individual  
12 income tax purposes as the taxpayer used for federal individual  
13 income tax purposes. The bill also strikes provisions implying  
14 that a taxpayer may elect to use a different tax filing status  
15 on the taxpayer’s Iowa and federal income tax returns.

16 The division applies to tax years beginning on or after  
17 January 1, 2023.

18 DIVISION IV — WITHHOLDING. The bill rewrites Code section  
19 422.16 relating to withholding agents withholding Iowa tax from  
20 the wages or other income of a resident or nonresident. The  
21 bill defines “withholding agent” similarly to the definition  
22 in Code section 422.4.

23 Under current law, most retirement income is no longer  
24 subject to Iowa income tax. The bill strikes provisions  
25 requiring the withholding of state income tax from retirement  
26 income made to Iowa residents if the retirement income is no  
27 longer subject to Iowa income tax.

28 The bill excludes some pass-through entity income for  
29 purposes of calculating whether a taxpayer is required to make  
30 estimated tax payments.

31 DIVISION V — FUTURE CORRESPONDING CHANGE. Commencing with  
32 tax years beginning on or after January 1, 2026, the highest  
33 individual Iowa income tax rate becomes a flat tax rate and the  
34 individual income tax rate is moved from Code section 422.5A  
35 to Code section 422.5. The bill strikes a reference to the

1 highest individual income tax rate in Code section 422.5A and  
2 replaces that reference with Code section 422.5.

3 The division takes effect January 1, 2026.

4 DIVISION VI — SETTLEMENT AUTHORITY — NOTICE OF ASSESSMENT  
5 — ESTIMATION OF TAX. Under current law, the director may  
6 compromise and settle doubtful claims for taxes or refunds.  
7 The bill defines "settle" or "settlement" to include any  
8 compromise or abatement of tax, penalties, and interest. The  
9 bill specifies that the department may settle any taxes,  
10 penalties, and interest in the case of doubtful liability,  
11 doubtful collectability, economic hardship, or to promote  
12 effective tax administration. The bill requires the department  
13 to make a complete record of the settlement. A taxpayer shall  
14 not have the right to a settlement under the bill, and any  
15 determination by the department regarding a settlement shall be  
16 discretionary and final, except in the case of fraud, mutual  
17 mistake, or stated in a written settlement agreement. The  
18 bill strikes Code section 421.60(2)(i) and (m) which relate to  
19 the settlement of taxes owed the state and makes conforming  
20 changes.

21 The bill amends Code section 421.10 relating to the appeal  
22 period for the revision of the assessment of tax. The bill  
23 specifies that the appeal period provisions apply to notices  
24 from the department involving adverse department actions  
25 directed at a specific taxpayer, other than licensing, which  
26 involves a calculation. Under current law, the appeal period  
27 provisions relate to all agency actions regardless if the  
28 action is adverse, if any department action is directed at  
29 a specific taxpayer, other than licensing, and involves a  
30 calculation.

31 The bill amends Code section 422.25 to specify that if a  
32 taxpayer required to file a return with the department fails  
33 to file the return or files a false or fraudulent return, the  
34 department may, at any time, estimate the tax due based upon  
35 information or knowledge the department is able to obtain. If

1 the department estimates the tax due, the bill requires the  
2 department to issue a notice of assessment to the taxpayer  
3 and creates procedures for the department to follow if the  
4 taxpayer files a return within three years from the date of  
5 the assessment, and creates procedures if the taxpayer fails  
6 to file such a return within three years from the date of the  
7 assessment.

8 The bill amends Code section 423.37(1) (sales and use tax)  
9 to specify that the department may examine a sales tax return  
10 within three years after the return is filed. Under current  
11 law, the department is required to examine such a return  
12 within three years. The bill establishes procedures for when  
13 a sales tax return is incorrect or insufficient when filed.  
14 The bill requires the department to determine the amount of  
15 tax due from information or knowledge the department is able  
16 to obtain including using any generally recognizable sampling  
17 technique to determine the tax owed, if the sampling technique  
18 is mutually agreed upon by the department and the person  
19 being audited. The bill requires the department to issue a  
20 notice of assessment if the return is found to be incorrect,  
21 and establishes procedures for the taxpayer to appeal the  
22 assessment, or pay the tax, penalty, and interest, and file a  
23 refund claim on the estimated tax if necessary.

24 The bill amends Code section 423.37(2) establishing the  
25 procedures for when a sales or use tax return is not filed. The  
26 bill states the period for examination and determination of the  
27 correct amount of tax is unlimited, and allows the department  
28 to estimate the amount of tax due. The bill requires the  
29 department to issue a notice of assessment, and establishes  
30 procedures for the taxpayer to appeal the assessment, or pay  
31 the tax, penalty, and interest, and file a refund claim on the  
32 estimated tax if necessary.

33 The bill specifies the department of revenue shall  
34 administer the taxes in Code chapter 452A (motor fuel and  
35 special fuel taxes) in the same manner as Code sections

1 422.25(4) (payments first credited to penalty and interest),  
2 423.35 (posting a bond), and 423.37 (procedures for when a  
3 return is filed incorrectly or not filed), which is also  
4 amended in the bill.

5 The bill specifies the department of revenue shall  
6 administer the taxes in Code chapter 453A (cigarette and  
7 tobacco taxes) in the same manner as Code section 423.37  
8 (procedures when return is filed incorrectly or not filed),  
9 which is also amended in the bill.

10 The bill repeals Code section 423.38 relating to provisions  
11 that are applicable to the judicial review of the actions  
12 of the department involving sales and use taxes, and makes  
13 conforming changes.

14 The division takes effect January 1, 2024.

15 DIVISION VII — TAX RETURN PREPARERS AND PERSONS AUTHORIZED  
16 TO ACT FOR TAXPAYERS. The bill requires additional tax return  
17 preparers to include the preparer's personal identification  
18 number on any return prepared by the preparer and filed with  
19 the department if the preparer is licensed as a certified  
20 public accountant or a licensed public accountant under Code  
21 chapter 542 or a similar law of another state, if the preparer  
22 is admitted to practice law in this state, or if the preparer  
23 is an enrolled agent enrolled to practice before the Internal  
24 Revenue Service.

25 The bill modifies provisions relating to the authority  
26 of a person to act on behalf of a taxpayer in Code section  
27 421.59, including striking the authority of an individual to  
28 act on behalf of a taxpayer who has been named as an authorized  
29 representative on a fiduciary return or an inheritance tax  
30 return.

31 DIVISION VIII — SETOFF. The bill allows but does not  
32 require the department to establish a fee for use of the setoff  
33 system. Currently, the department is required to charge a  
34 fee for use of the setoff system. The setoff system is a  
35 centralized system designed to collect debt owed to public

1 agencies. The setoff system operated by the department is  
2 currently not operational until the department adopts rules.

3 DIVISION IX — HOMESTEAD PROPERTY TAX CREDIT. The bill  
4 amends Code section 425.11 relating to the homestead credit.  
5 The bill expands the definition of "owner" to allow a person  
6 occupying a homestead to receive the homestead credit  
7 regardless of whether the underlying land is held in fee or as  
8 a leasehold interest, provided that the person is occupying  
9 the homestead and is liable for and pays property tax on the  
10 homestead.

11 The division takes effect upon enactment and applies to  
12 claims under Code chapter 425, subchapter I, for credits  
13 against property taxes due and payable in fiscal years  
14 beginning on or after July 1, 2024.

15 DIVISION X — PROPERTY TAX CREDITS AND RENT REIMBURSEMENT.  
16 The bill modifies the definition of "income" to include  
17 certain retirement, deferred, or rental income for purposes of  
18 calculating eligibility for the elderly and disabled property  
19 tax credit or for reimbursement of rent constituting property  
20 taxes paid under Code chapter 425, subchapter II.

21 The division applies to claims under Code chapter 425  
22 for credits due and payable in fiscal years beginning on or  
23 after July 1, 2024, and for rent reimbursement in base years  
24 beginning on or after January 1, 2023. The division also  
25 applies to claims for a credit for manufactured and mobile home  
26 taxes due in fiscal years beginning on or after July 1, 2024.

27 DIVISION XI — ELECTRONIC COMMUNICATION — RULES. The  
28 bill provides that if the department posts a rule to the  
29 department's electronic portal, the posting of the electronic  
30 communication shall satisfy any requirement of mailing or  
31 personal service for purposes of Code chapter 17A (Iowa  
32 administrative procedure Act).

33 DIVISION XII — TRANSFERS FROM 529 ACCOUNT TO ROTH IRA.  
34 Under the federal Consolidated Appropriations Act, 2023, Pub.  
35 L. No. 117-328, transfers from a 529 educational account to a

1 Roth Individual Retirement Account beneficiary are exempt from  
2 federal taxation, subject to Roth contribution limits and the  
3 aggregate lifetime limit of \$35,000, and if the 529 educational  
4 account has existed for at least 15 years. The bill also makes  
5 such a transfer exempt from state individual income taxation.

6 DIVISION XIII — COMPOSITE RETURN FILING EXCLUSION FOR  
7 FINANCIAL INSTITUTIONS AND CERTAIN FINANCIAL INSTITUTIONS.

8 Under the bill, a pass-through entity is not required to remit  
9 Iowa income or franchise tax on behalf of a nonresident member  
10 if either of the following apply: the pass-through entity  
11 is a financial institution subject to the franchise tax and  
12 files a franchise tax return and pays any franchise tax owed;  
13 or the pass-through entity wholly owns one or more financial  
14 institutions subject to the franchise tax, and at least 90  
15 percent of the gross income of the pass-through entity for the  
16 tax year is also reportable income on the franchise tax return  
17 of the wholly owned financial institutions and any franchise  
18 tax owed is paid.

19 DIVISION XIV — RETIRED FARMER INCOME EXCLUSIONS. The  
20 bill modifies the definition of "materially participated" for  
21 purposes of the retired farmer tenancy income exclusion and  
22 the retired farmer capital gain exclusion by excluding section  
23 469(h)(3) of the Internal Revenue Code from the definition of  
24 "materially participated" in section 469(h) of the Internal  
25 Revenue Code.

26 This division takes effect upon enactment and applies  
27 retroactively to tax years beginning on or after January 1,  
28 2023.

29 DIVISION XV — INSTRUCTIONAL SUPPORT INCOME SURTAX. The  
30 bill modifies the manner in which the instructional support  
31 income surtax is deposited into the school district income  
32 surtax fund by requiring monthly deposits into the fund and  
33 prohibiting certain income surtax moneys from being deposited  
34 into the general fund of the state. The bill also modifies the  
35 instructional support income tax certification and accounting

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1 dates by the department of revenue to the department of  
2 management.